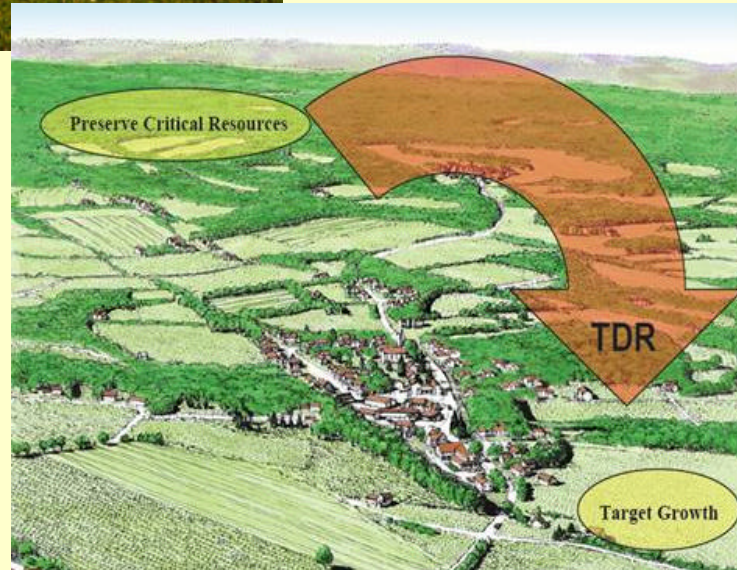
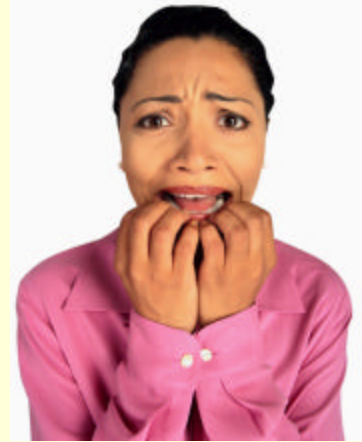


Preserving Land By Development: Transfer of Development Rights



The Problem - Buildout

What does build-out really look like? (Yikes!)



TODAY



VS

BUILD OUT



Traditional Options:

- Do Nothing
 - ✍ Lose the community to sprawl
- Major Down-zoning
 - ✍ Negative equity impacts
 - ✍ Lack of comprehensive planning
 - ✍ Lack of permanent land protection
- Try to “Buy it All”
 - ✍ Won't get the job done



Solution: Transfer of Development Rights (TDR)

- Balancing scales of “equity”
- Eliminating the “windfall & wipeout” of traditional zoning
- Proactive planning for development
- Large scale, permanent land and resource protection



What is TDR???

- Clustering of development on a township, county, or region-wide basis
- Transfer of development potential from one parcel to another



Before Development Hits



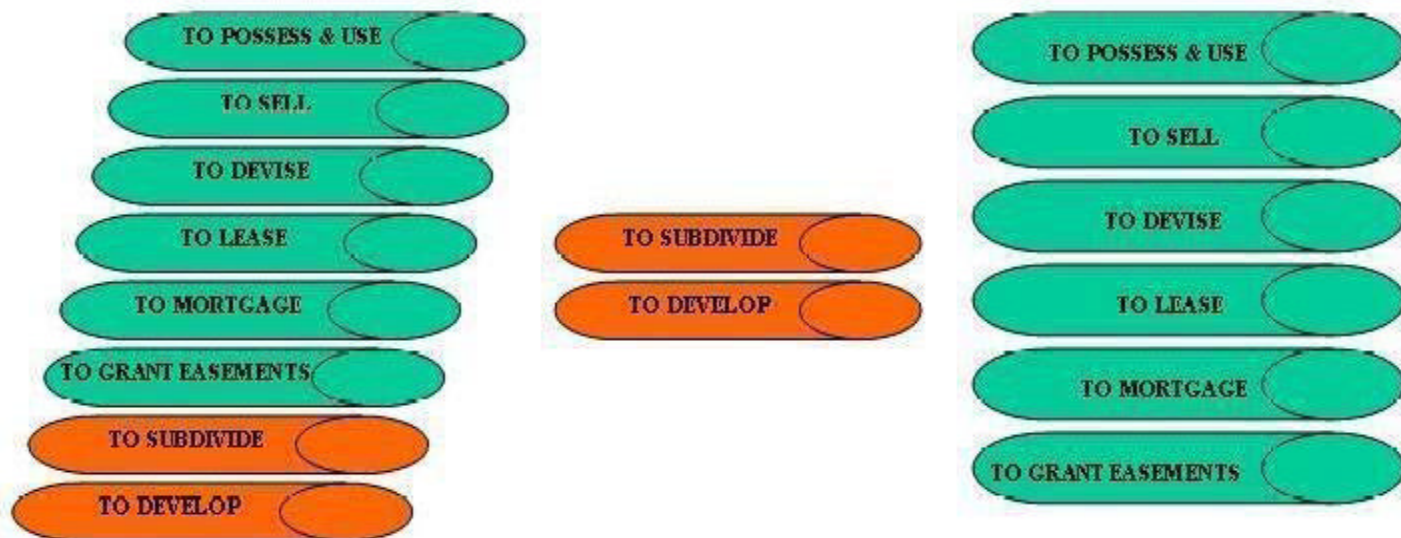
Typical Low Density Sprawl



TDR: Large Scale Clustering



Figure 3 - Property Rights

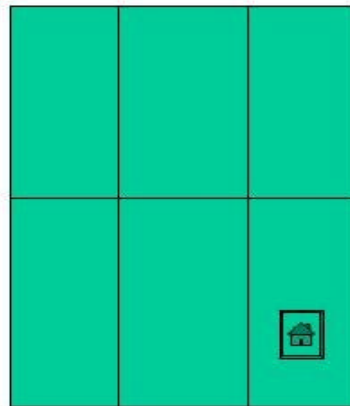


$$\text{Fee Simple} = \text{Developments Rights} + \text{Remaining Rights}$$

Transfer of Development Rights

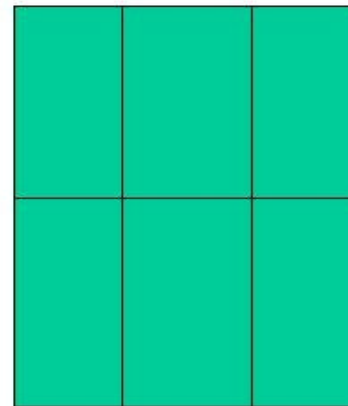
Sending Zone

Receiving Zone

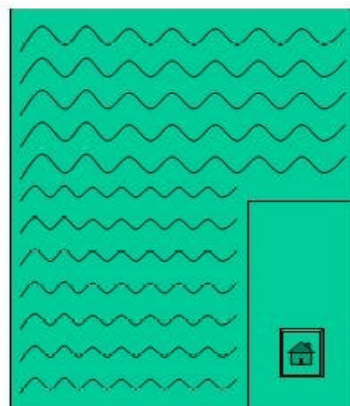


Parcel A : 6
development rights
including existing house

=

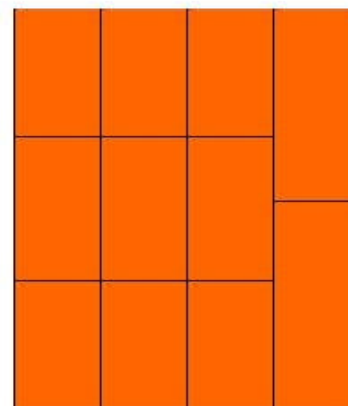


Parcel B : 6 development
rights



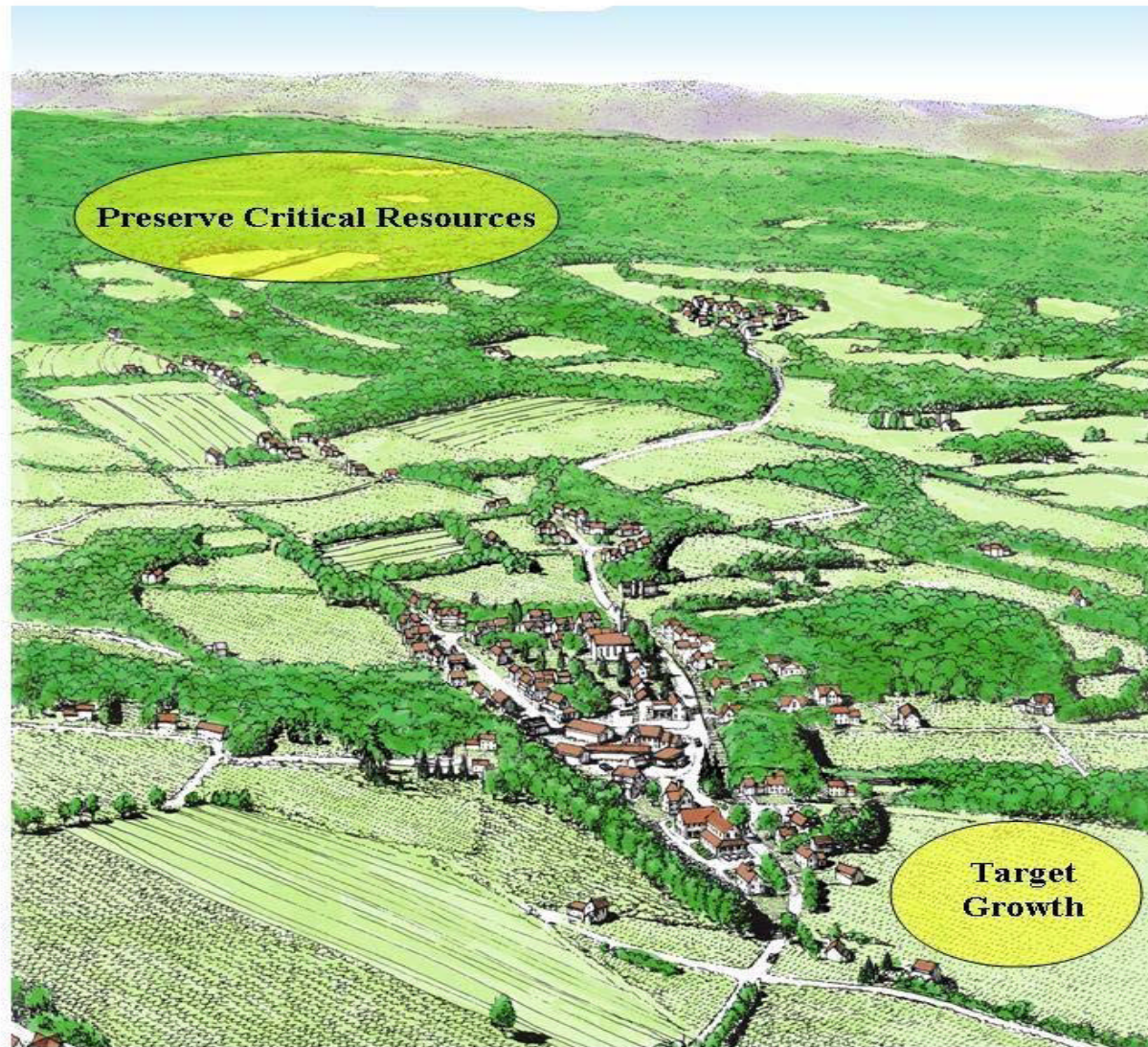
Parcel A : Sells 5
development rights, retains
one for existing house

Credits
→
←
\$\$\$



Parcel B : 11 unit or
more development
potential

Figure 1 - Sending and Receiving Zones



TDR Sending Areas

- The area, or resource, the community wants to protect
- Reduces reliance on public funds for land preservation (SA landowners paid by developers)
- Achieves large-scale, permanent land protection
- Deed restriction recorded against property

TDR Receiving Areas

- Allows for economic growth and achieving other public goals (jobs, affordable housing, mixed use, transit-oriented design, etc.)
- Utilize private market forces to transfer development potential
- Credit value driven by private sector forces (supply vs. demand) based on value of increased density in Receiving Area
- Public cost more related to infrastructure
- Needs to be in a location and a type of development that developers want to build!

Effects of TDR

- Preservation of land from which development potential is transferred (SENDING AREA)
- Increased development density on land to which development potential is transferred (RECEIVING AREA)
- Use of private-sector funds to accomplish land preservation

Components of TDR

1. Identify resource to protect (SA)
2. Plan for increased development (RA)
3. Allocate development potential
4. Create permanent deed restriction
5. Track TDR Credits
6. Assess, tweak, amend as necessary

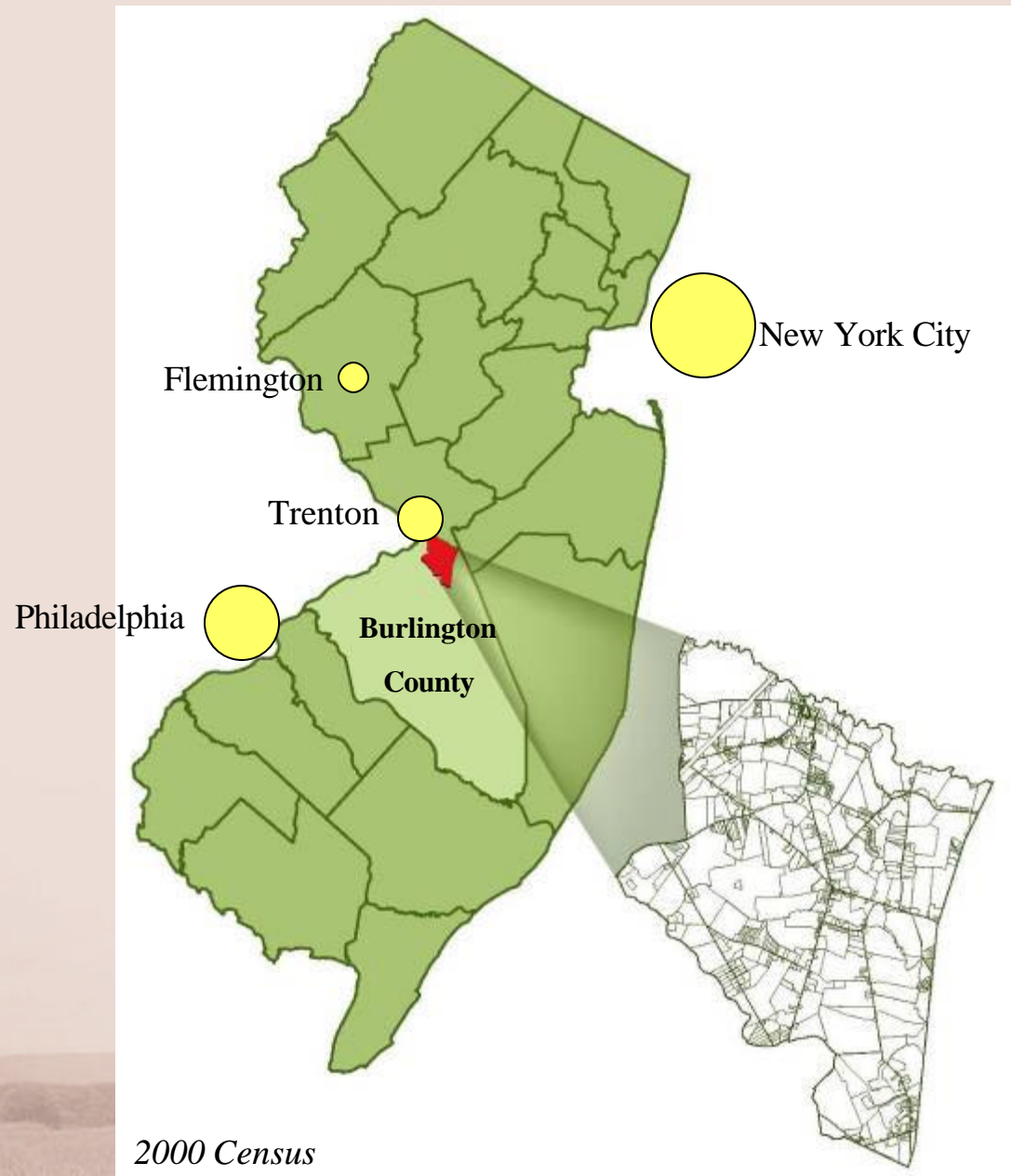
A Chesterfield Township Profile

924 dwellings

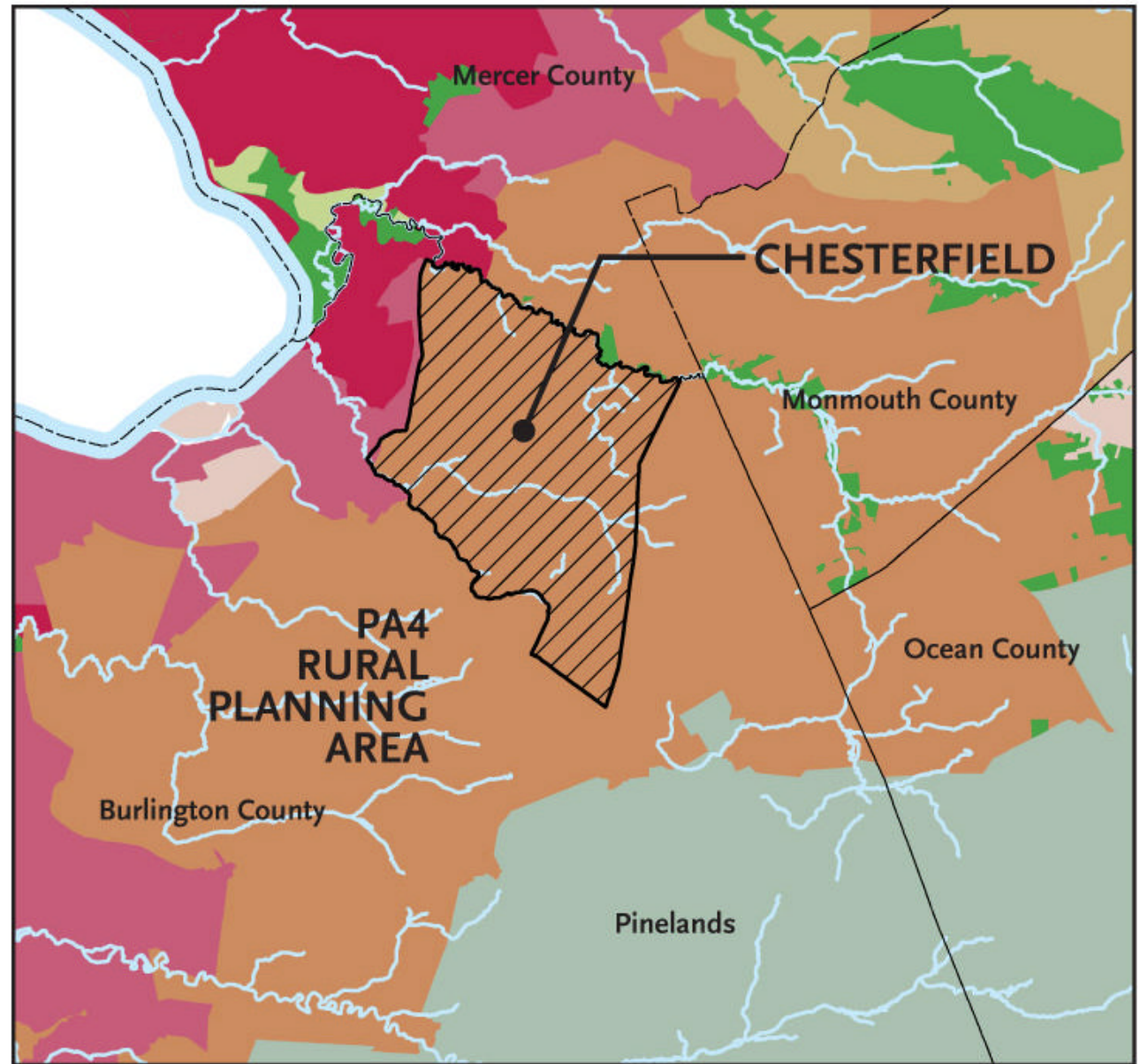
2,614 residents

21.61 square miles

121 residents/sq. mi.



New Jersey 2004 State Plan Designations

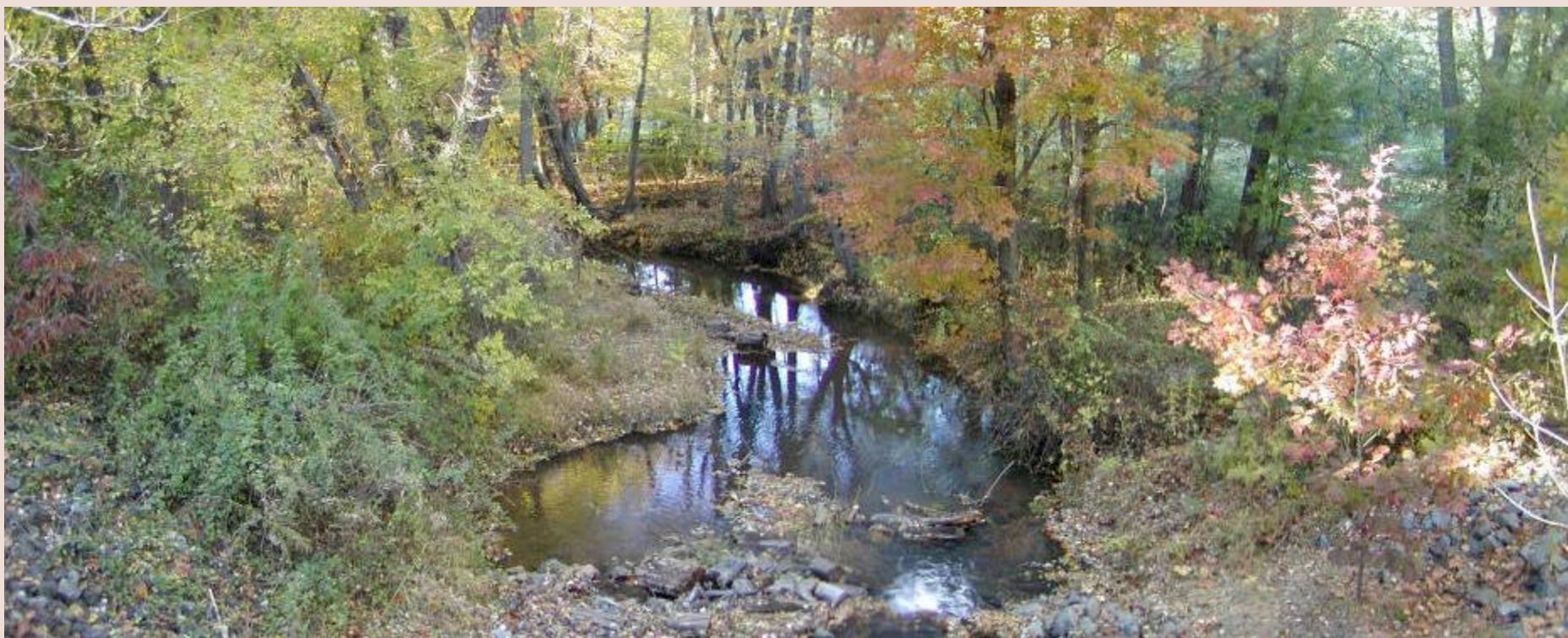




Clarke Caton Hintz



Clarke Caton Hintz

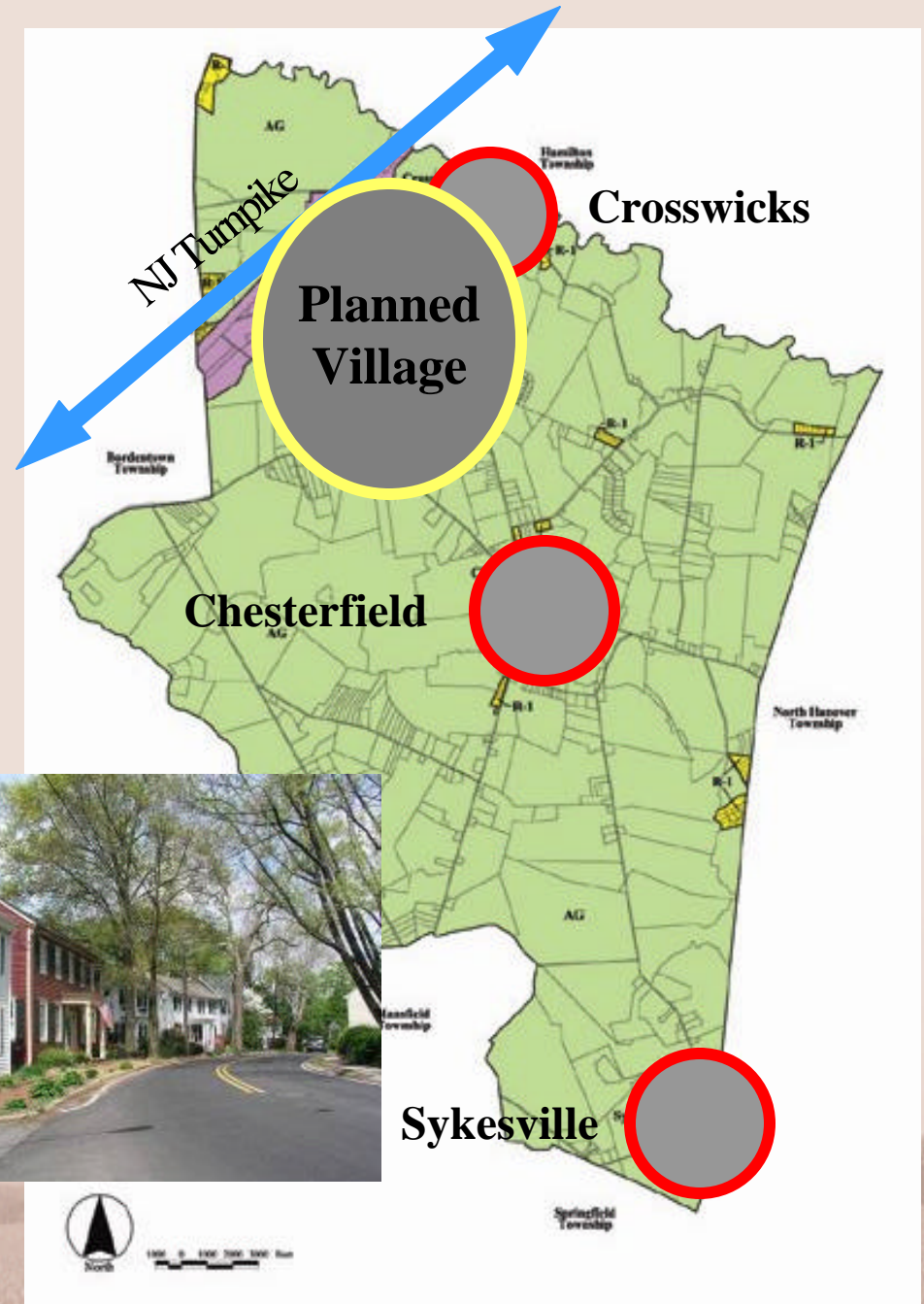


Clarke Caton Hintz



Clarke Caton Hintz

Centers



Clarke Caton Hintz

Chesterfield TDR Program

- Township planning initiative
- Preservation goal: farmland preservation
- Development goal: Neotraditional village
- TDR ordinance adopted 1998
- “Voluntary” TDR program
- Pre-existing zoning: 3.3 acre lot average
- Leading PDR municipality: 4,670 acres



Sending Area Statistics

- 7,525 acres; 1,408 associated TDR credits
- Land must be farmland assessed; ≥ 10 acres
- Can build up to 1 unit per 50 acres after enrollment in TDR program
(lot size of 1 acre or more)
- Credit allocation formula:
 $(1:2.7 + 1:6 + 1:50) + 10\%$



Preserved Lands

PDR Preserved: 4,670 acres

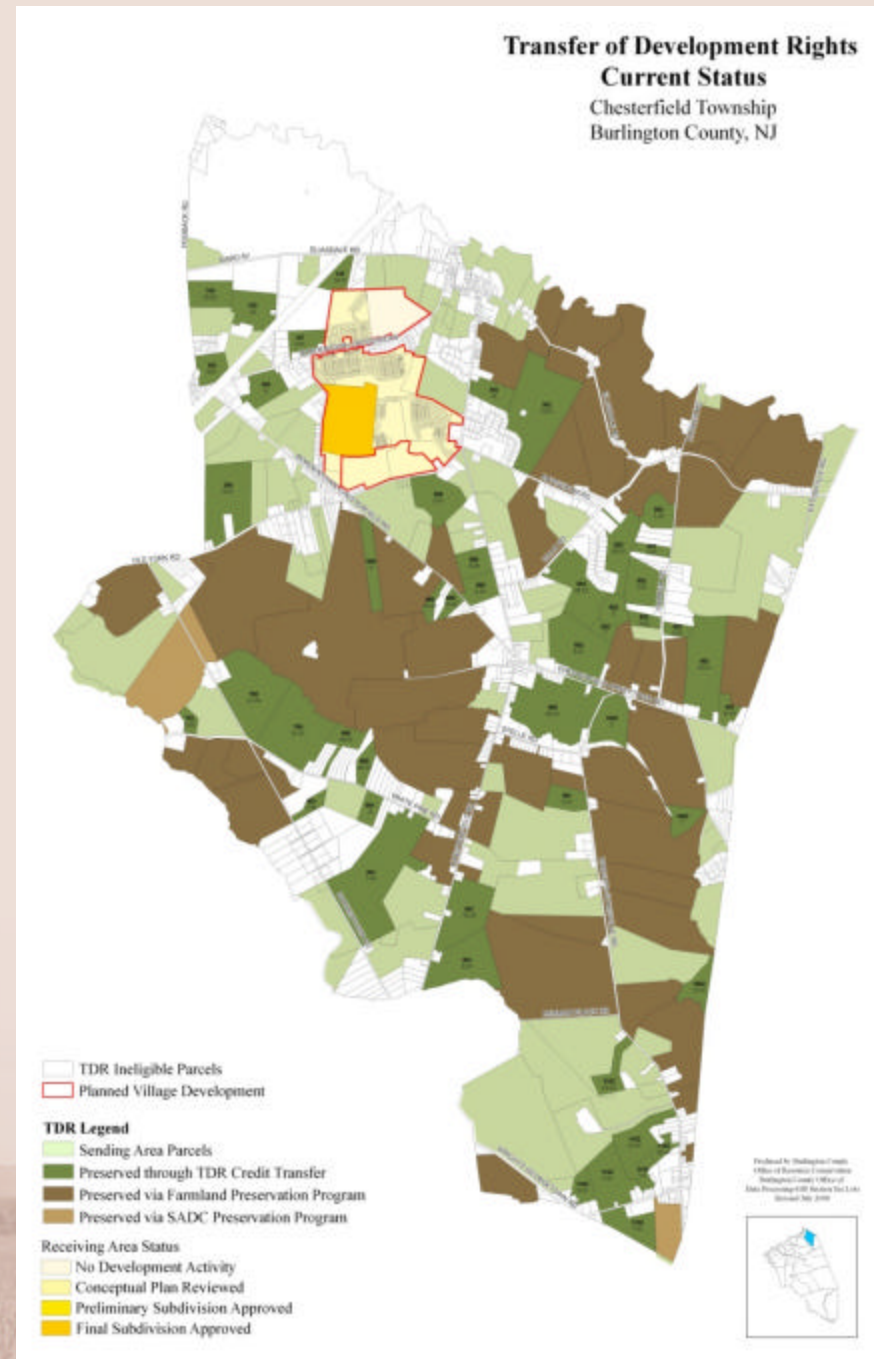
TDR Preserved: 2,142 acres

TDR Contracts: ~ 600 acres

TOTAL to date: 7,412 acres

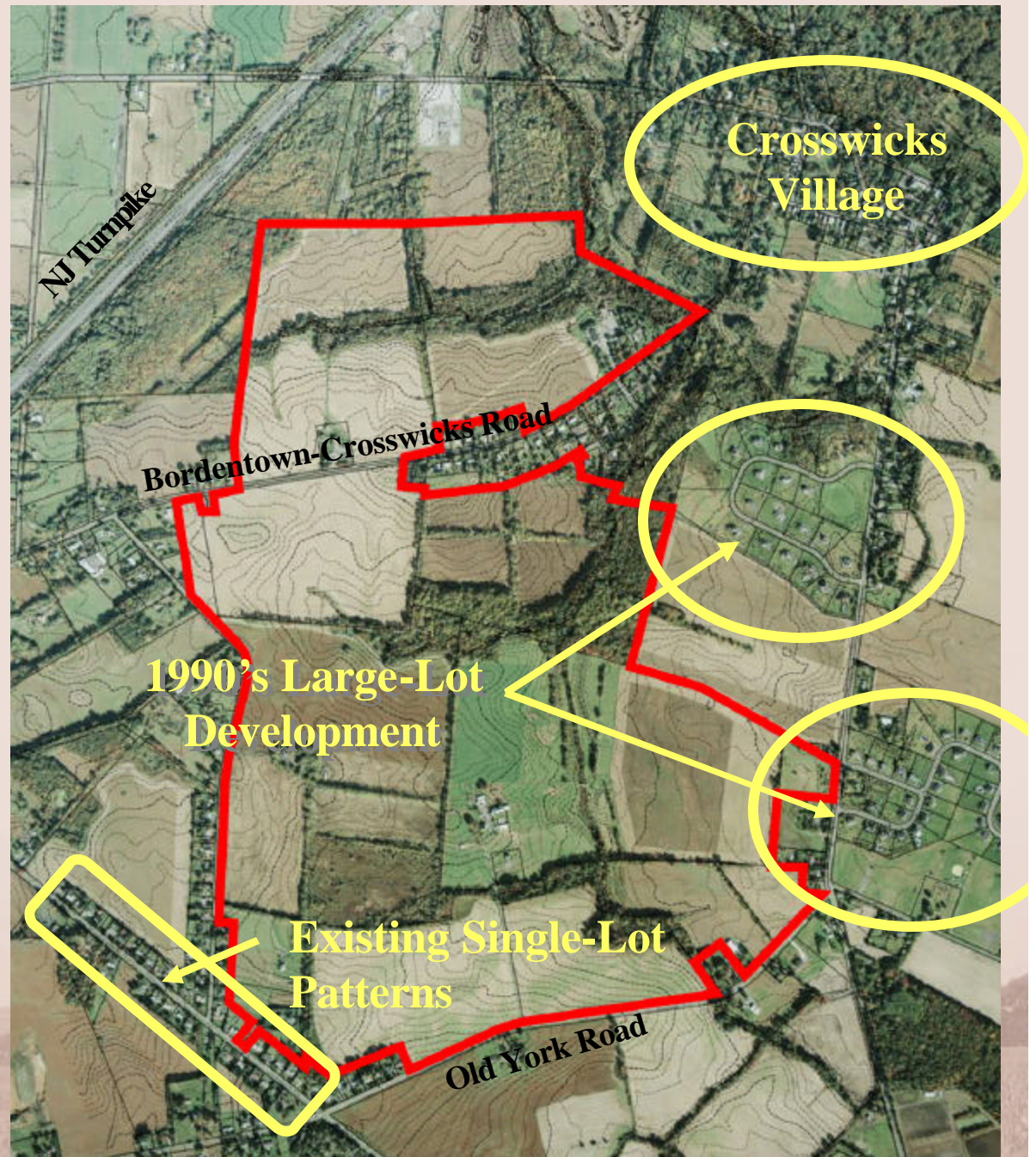


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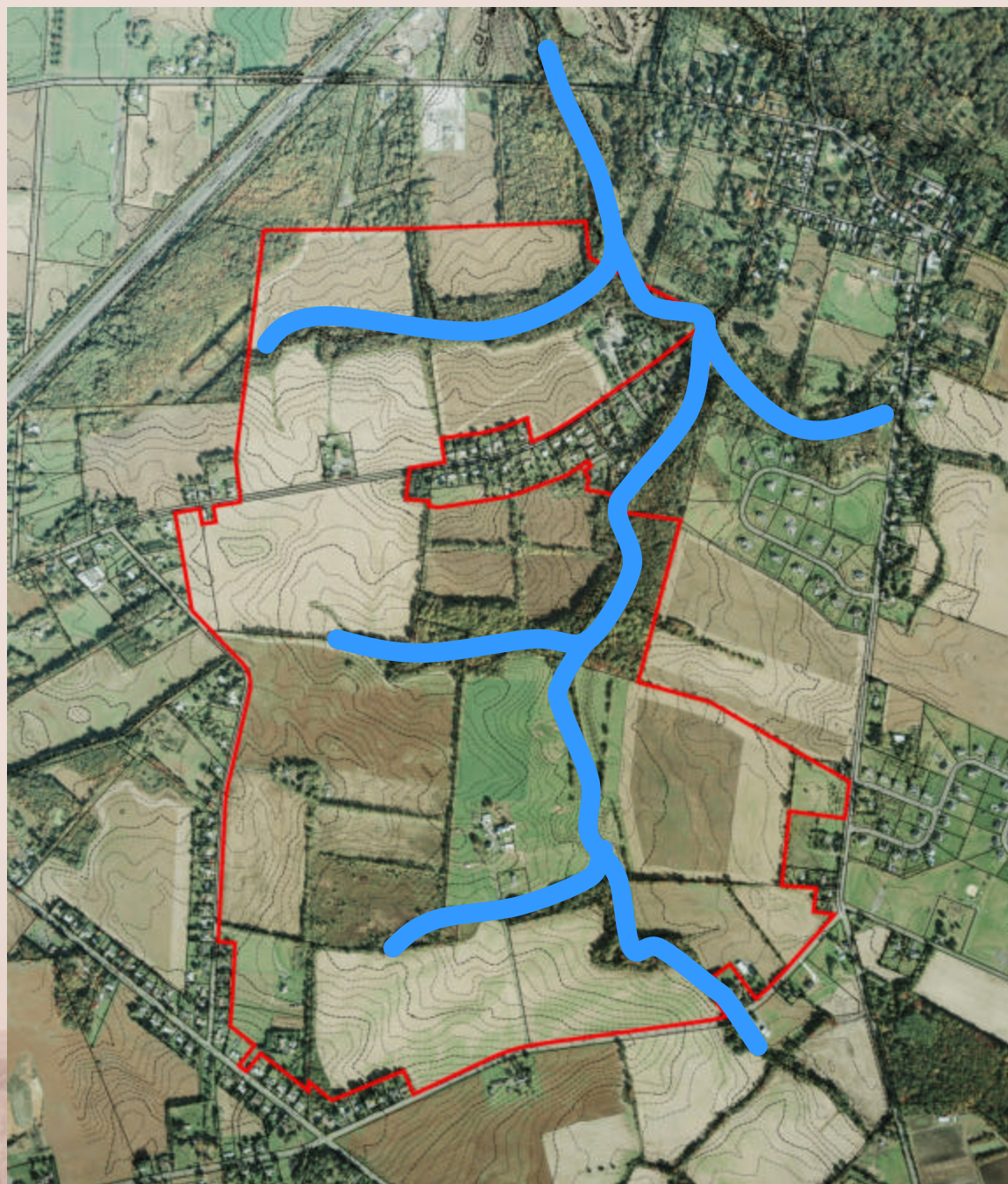
Receiving Area

Context



Receiving Area

Crosswicks Creek
Tributary



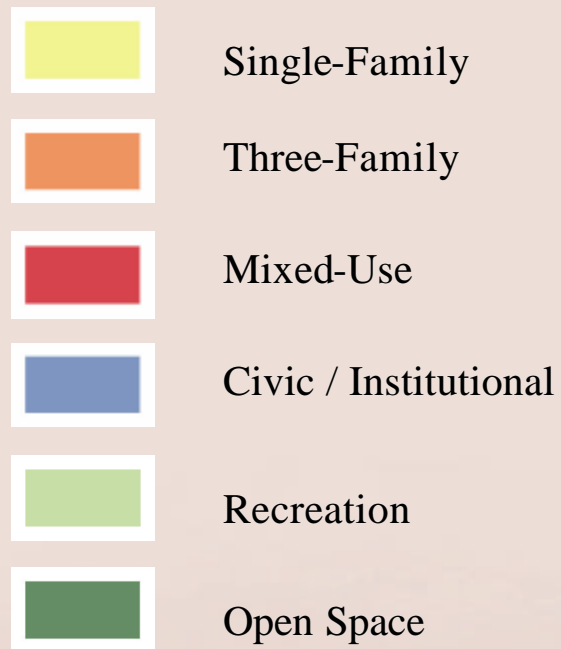
Clarke Caton Hintz

Receiving Area Statistics

- 570 acres; 122 associated TDR credits
- Gross density = 2.2 TDRs/acre
- Total build out: ~1,100 credits used
~1,250 units developed
- Design for neo-traditional village
- Sewer provided through NJDOC facility

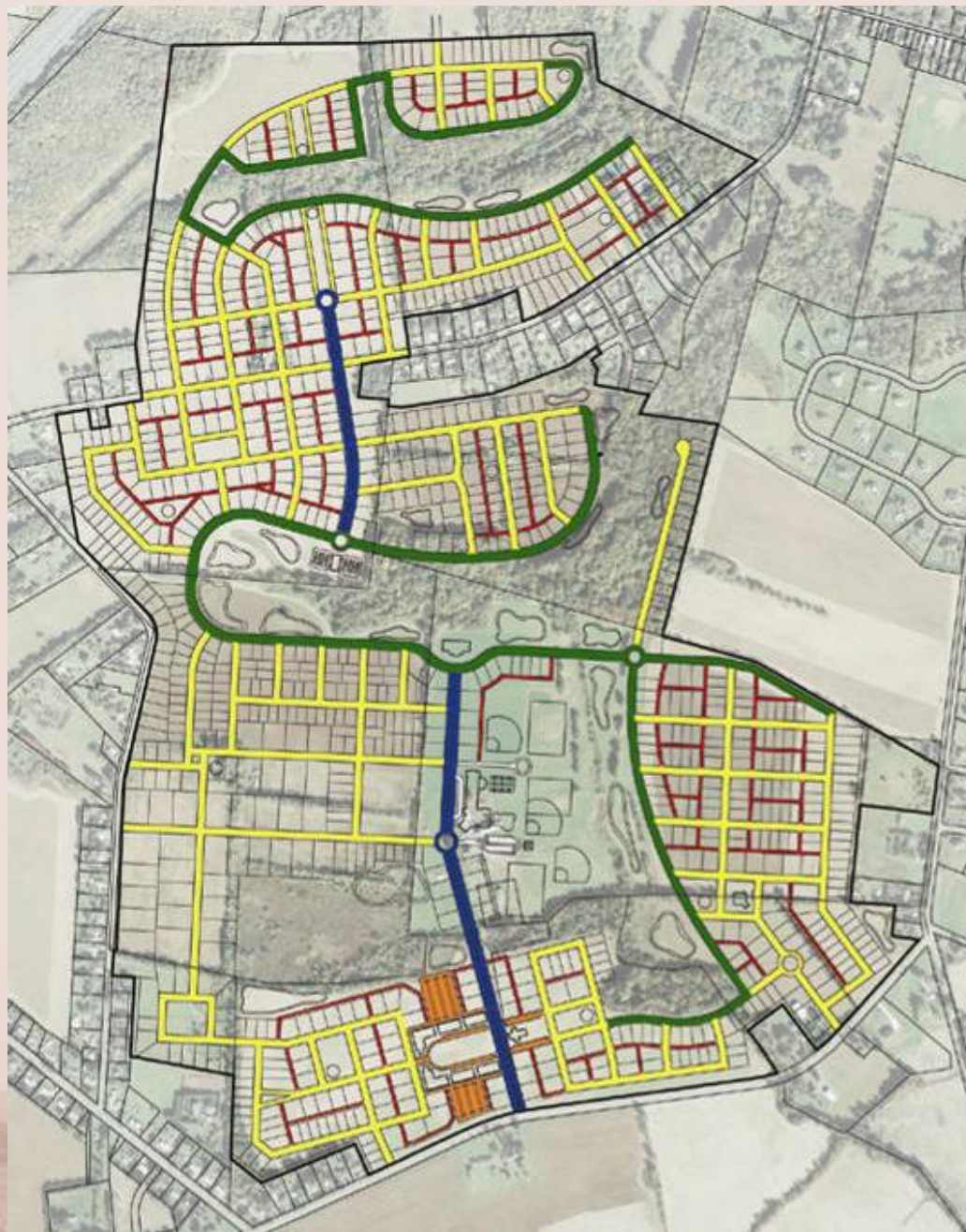


Village Plan for Receiving Area



Street Hierarchy

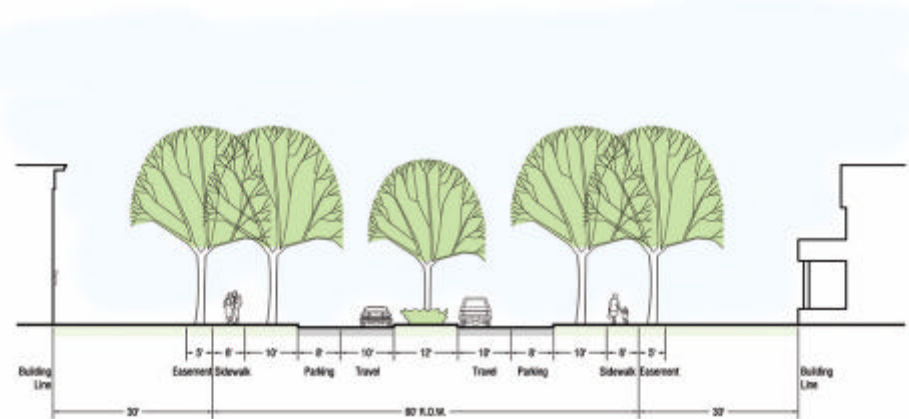
	Boulevard
	Parkway
	Neighborhood
	Alley
	Parking



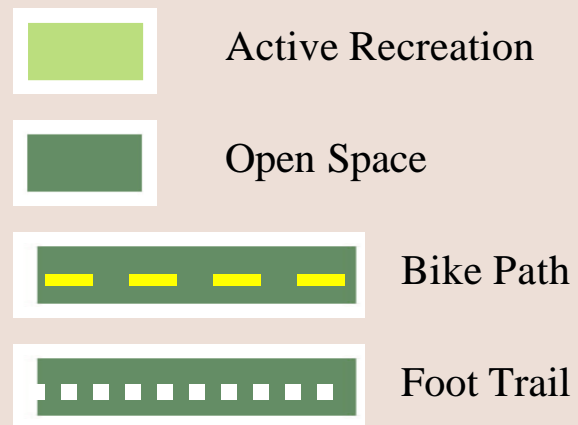
Street Hierarchy



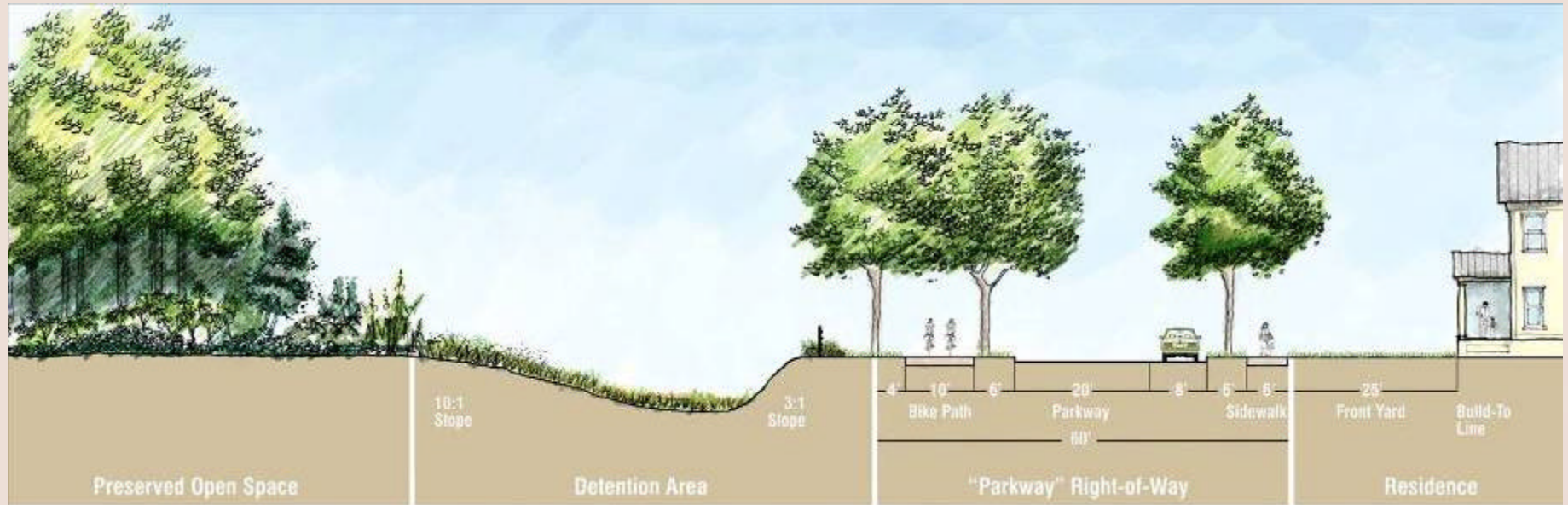
Boulevard



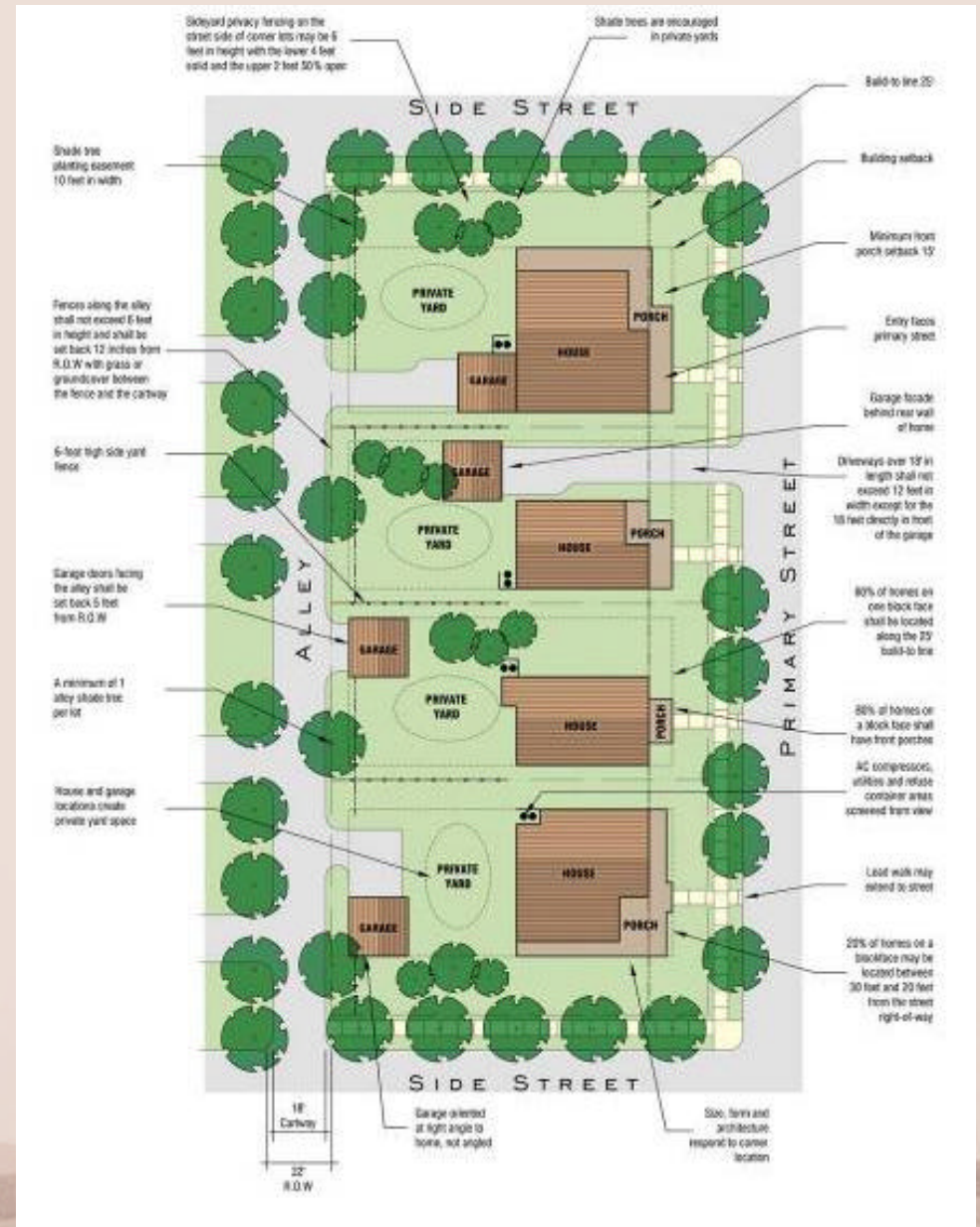
Recreation and Open Space



Storm water Management Design Principles



Site Planning Standards



Historic Homes of Chesterfield



Georgian



Federal



Victorian



*Greek
Revival*



Italianate



Second Empire

Architectural Standards



Architectural Standards



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Streetscape Design and Furnishings



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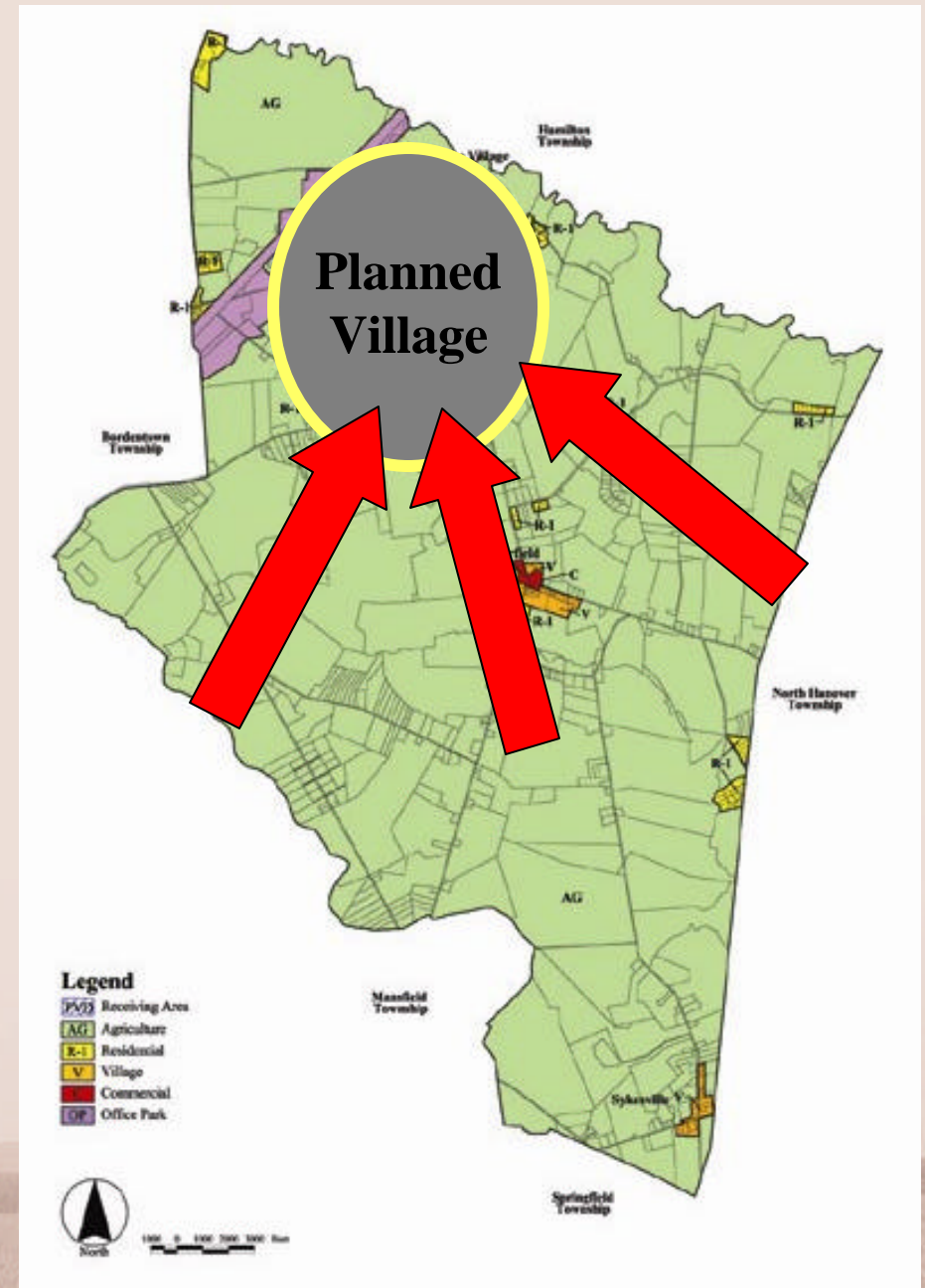


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Implementing TDR

- 1997 - Master Plan Identifies Sending and Receiving Areas
- 1998 - Land Development Ordinance Creates TDR Zoning
- 1999 - Wastewater Management Plan Approved by NJDEP
- 2000 - NJ State Planning Commission Designates Receiving Area as a Center
- 2002 - Master Plan Amendment Creates Village Plan & Architectural Standards
- 2003 - Construction Commences on First Subdivision
- 2004 - First CO's Issued
- 2006 - 115 CO's Issued
212 Building Permits Issued
Subdivision Approvals for 813 Units
Subdivision Pending for 357 Units
2,060 acres enrolled and preserved

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Implementation Status



- Developers control 90% of the receiving area
- 76 % of the Township's ultimate development capacity (1,170 units) is either pending approval, approved or under construction
- Construction commenced by three developers on 813 units
- School location has been designated as the hub of the community
- Recreation Improvement District created to fund \$3.9 million in common facilities
- Transportation Improvement District created to fund \$8.9 million in collector roads

The Bottom Line



TDR is a growth management tool, not a shield to prevent growth

Planning Board/Developer dynamic changed

TDR creates a “center” design opportunity: Old York Village embodies principles of Traditional Neighborhood Design as found in local examples, such as historic Crosswicks Village

TDR can successfully preserve farmland and open space by substituting private capital and the operation of the real estate market for public funding

Awards



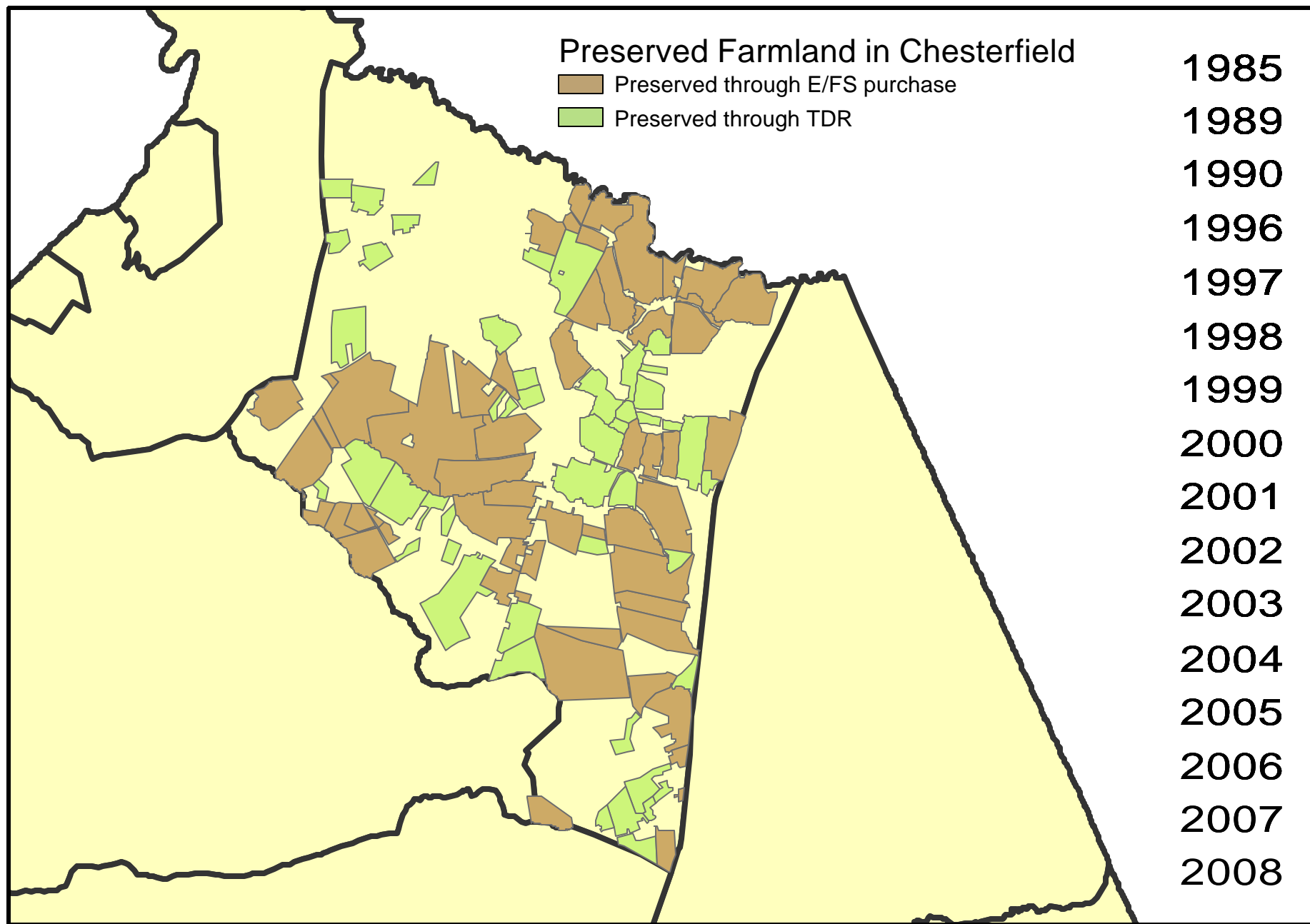
American Planning Association
2004 Outstanding Planning Program

New Jersey Planning Officials
2004 Achievement in Planning Award

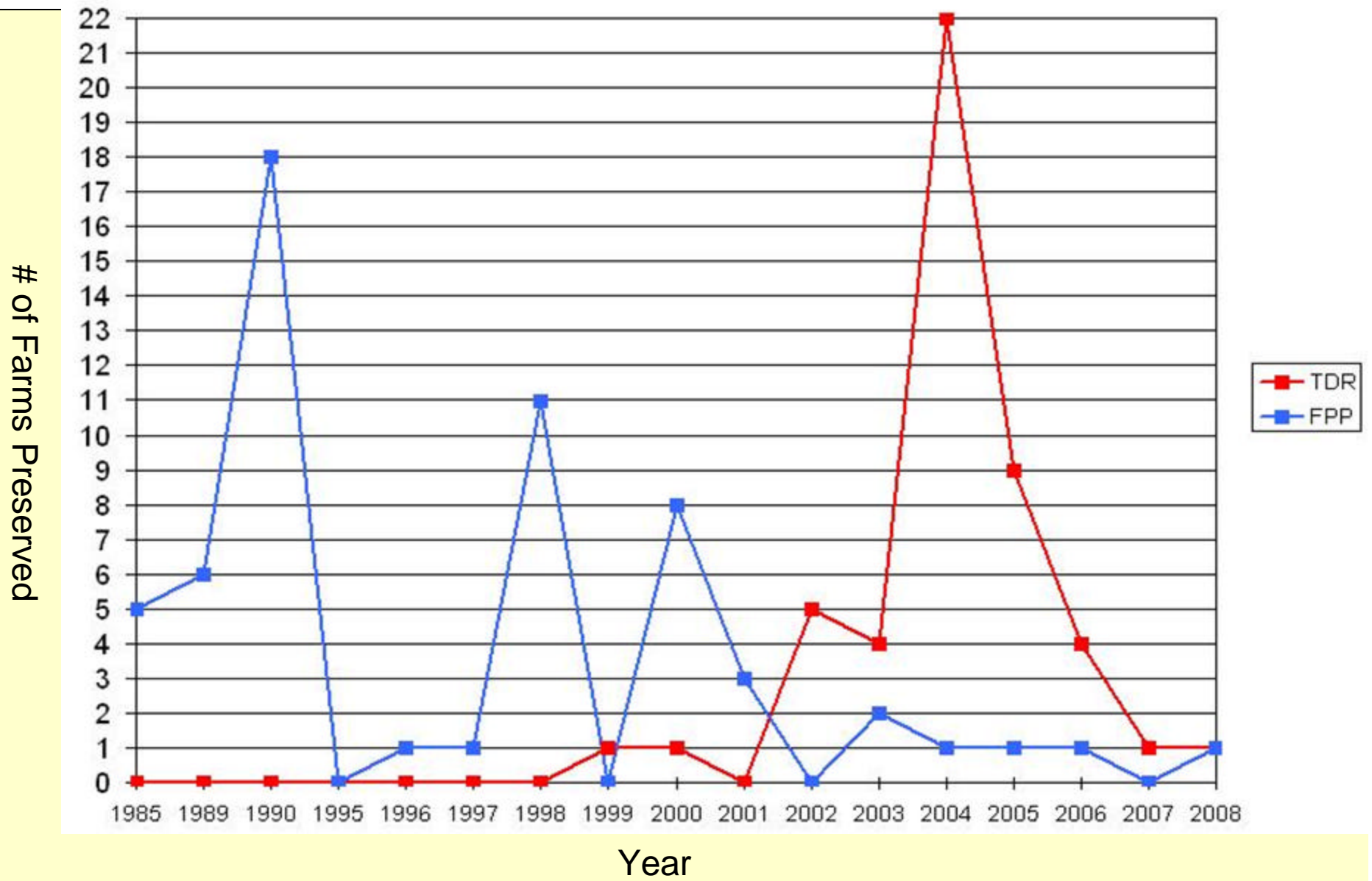
New Jersey Future
2003 Smart Growth Award

American Society of Landscape Architects
NJ Chapter 2003 Landscape Planning and Analysis Merit Award

American Planning Association
NJ Chapter 2002 Outstanding Planning Implementation Award



Farmland Preservation in Chesterfield



Overall Program Status

- 645 TDR credits enrolled; many “optioned”
- 2,200+ acres permanently preserved via TDR
- Initial TDR sales: \$20,000-\$30,000 each
- TDR Credit Auction (7/04): \$50,000 each
- TDR Credit Auction (3/07): \$62,000 each



Easement Sales Comparison Chesterfield Township

Farmland Preservation vs. TDR Credits:

- County Farmland Preservation Program:
highest easement price = \$ 9,300/acre
- Current TDR credit price = \$18,000+/acre
- TDR preserving property with private dollars!



Strengths of Chesterfield's TDR Program

- Voluntary nature made a TDR “pilot” politically possible
 - But we got a little lucky
- Program was successful: landowners sold and developers bought
- Comprehensive planning embraced New Urbanist principals
- Credit allocation process yielded actual development potential
- NO development in RA without TDR credits
- 1:50 residual development low enough to protect agricultural industry
- County TDR Bank played key role in stopping credit log jam

TDR Banks



Why a bank?

- “Safety net” to support TDR rollout
- Acquire TDRs when landowners can find buyer
- Actively preserve land (buy) in down markets
- Establish and stabilize TDR credit prices
- Facilitate transactions / market TDR program
- Guarantee TDR credit value as collateral
- In a perfect world, the bank gets no business!



“What Makes TDR Work?”

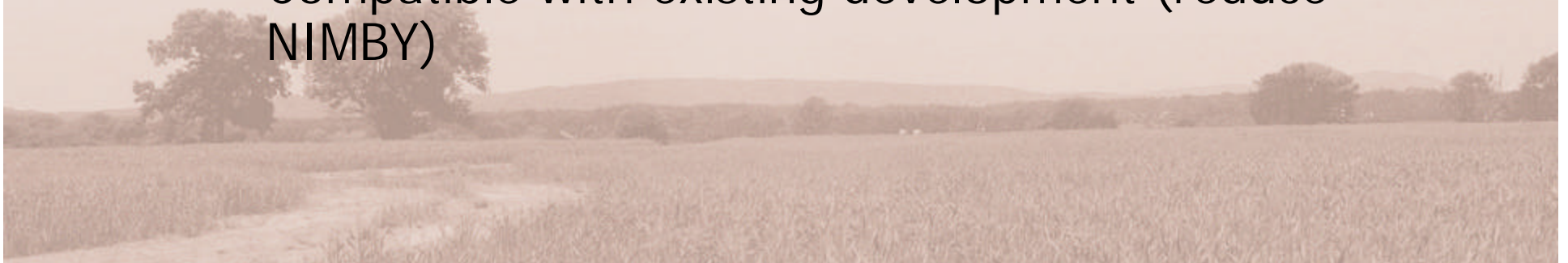
Pruetz and Standridge

1. Demand for Bonus Density

- Development opportunity developers actually want!
- Can't get extra density for “free”
- Using TDR for things other than more residential units (floor area, impervious cover, etc.)

2. Receiving Area Customized to Community

- Adequate infrastructure is, or will be, available
- Political sustainability (public support)
- Compatible with existing development (reduce NIMBY)



“What Makes TDR Work?”

Pruetz and Standridge

3. Sending Area Regulations

- Sometimes environmental attributes sufficient to deter growth
- Impacts of overly permissive zoning

4. Few or No Alternatives to TDR to Increase Growth

- Reason why many TDR programs fail
- e.g. density bonus for clustering, improved site standards
- Allowing up-zoning to occur w/o TDR use

"What Makes TDR Work?"

Pruetz and Standridge

5. Market Factors: Transfer Ratios and Conversion Factors

- Goal: enough credits assigned in SA so that value of credits \geq value of the easement recorded on the land (needs to be competitive with PDR program activity)

6. Strong Public Support

- Commitment to farmland and open space preservation as a policy goal will aid in creating support for TDR enactment
- Helps TDR survive changes in political winds
- TDR takes years to implement...needs staying power

“What Makes TDR Work?”

Pruetz and Standridge

7. Simplicity and 8. Predictability

- Clear, predictable development opportunity when TDRs used
- Landowners more likely to trust a program they understand
- Helps build support among diverse interest groups (and community leaders)

9. TDR Promotion and Facilitation

- Needs direct education effort / build understanding among community (landowners, builders, “stakeholders”)
- Remind the public REGULARLY of TDR’s benefits
- Web pages / press events

10. TDR Bank

- Sometimes, not always, helpful in making TDR work

TDR Implementation Hurdles

- **State agency collaboration**
 - Better coordination needed (“government silos”)
 - More PROACTIVE approach needed
 - Solve problems vs. throw up obstacles
 - Need leadership from the TOP
- **Fiscal Impacts of Accelerated Growth**
- **Cost and Complexity of Required Planning**
 - Rural towns usually cash strapped – planning is the first thing to go!
 - Need to solidify and simplify OSG Plan Endorsement process

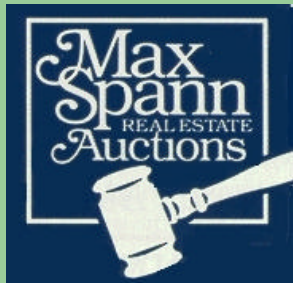
For More Information on TDR:

www.ag.state.nj.us/sadc/tdr



TDR Credit Auction

Chesterfield Township, Burlington County



Hintz



Auction Objectives

- ✍ **For TDR Credit Holders** – create a transparent forum in which TDR credit holders wishing to sell can do so at favorable terms, according to their timing, and, at the highest competitive values.
- ✍ **For TDR Credit Buyers** – create an efficient forum in which they can purchase a significant number of TDRs at one time and place at fair market value

What's Being Sold?

✍ TDR credits through a Contract of Sale between the landowner (seller) and the developer (buyer)

✍ Contract of Sale will include:

- Price per TDR credit
- Number of TDR credits being sold
- Block and lot information of land where credits originated
- Closing within 120 days of auction
- 10% deposit held by escrow agent

Type of Auction

✍ *“Absolute auction, sales price subject to confidential stated minimum”*

✍ That means:

- ➡ Seller sets the minimum price per TDR credit he/she is willing to sell for
- ➡ Only the seller and the auctioneer know what the minimum price is
- ➡ If at the auction the TDR credits sell for the stated minimum price, or more, the seller guarantees to sell

Auction Details

- ✍ Sellers register for auction by submitting required documentation
- ✍ Sellers are listed in order of their registration (“first come, first serve”)
- ✍ Buyers register to participate in auction
- ✍ Buyers will not know the number of credits being offered, or the minimum asking price of sellers
- ✍ Bidding will start with a suggested minimum bid of \$30,000 per TDR credit

Auction Details

- ✍ Auctioneer starts bidding
- ✍ Bidding stops when no additional bids are received
- ✍ High bidder identifies how many TDRs he wishes to buy at final bid price (e.g. 45 TDRs at \$25.00 each)
- ✍ Credits are marked and sold
- ✍ 2nd highest bidder is then asked if she wishes to buy any credits at that price; if so, credits are marked and sold (e.g. 15 TDRs at \$25.00 each)

Seller Sequence Number	Number of TDRs	Price per TDR
Seller # 1	5 TDRs	\$10.00
Seller # 2	40 TDRs	\$25.00
Seller # 3	5 TDRs	\$30.00
<u>Seller # 4</u>	<u>15 TDRs</u>	<u>\$15.00</u>
Total of 4 Sellers	Total 65 TDRs	\$10 to 30 Range

Auction Details - continued

- ✍ This continues until developers no longer want to purchase credits at that price, or there are no more credits available at that price
- ✍ Auction ends when there are no more willing buyers and sellers at the bid price
- ✍ No additional bidding will take place
- ✍ No Seller's credits will be "broken" w/o authorization

Benefits to Sellers

- ✍ Cost Efficiency- fees paid by others.
- ✍ Eliminates Negotiations- Buyers compete against each other, **not the Seller.**
- ✍ Market Timing:
 - historical high for real estate values (although rates are rising).
 - Currently “friendly” or cooperative land use climate (although zoning, environmental regs, etc. can change).

Benefits to Sellers (cont.)

- ✍ Validation of Values- open public bidding validates that optimal values are achieved
- ✍ No Down Side
 - **Seller** names minimum acceptable price
 - No cost to Seller